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SUBJ: INDIAN REACTIONS TO COMMERCIAL COOPERATION AGREEMENT
(CCA) WITH EC.

REF: (A) EC BRUSSELS 7443; (B) NEW DELHI A-414

SUMMARY: AFTER HAVING BEEN SOMEWHAT PESSIMISTIC BEFORE-
HAND, THE INDIANS WELCOMED THE CCA AGREEMENT WITH THE EC
AS REPRESENTING MORE THAN A REVISION OF THE EXISTING TARIFF
STRUCTURE. THE GOI SEES THE JOINT COMMISSION AS A FORUM
FOR DISCUSSING TRADE PROMOTION AND EXCHANGING MARKET
INFORMATION AS WELL AS SETTLING TARIFF AND QUOTA PROBLEMS
AS THEY OCCUR. THE INDIANS DO NOT EXPECT THE EC TO GRANT
NEW TARIFF CONCESSIONS SOON, BEYOND WHAT HAS ALREADY BEEN
AGREED IN BRUSSELS, PARTLY BECAUSE OF THE PRESENT ECONOMIC
UNCERTAINTY IN EUROPE. WHILE AIMING FOR A 50 TO 100

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PERCENT RISE IN EXPORTS TO THE EC BY THE END OF THE FIFTH

PLAN, THE INDIANS DO NOT UNDERESTIMATE THE PROBLEMS IN MARKETING AND DISTRIBUTING THEIR PRODUCTS IN EUROPE. SOME GOI OFFICIALS LOOK IN THE CONCESSIONS MADE BY THE EC AS MORE FAVORABLE THAN THOSE NEGOTIATED IN PREVIOUS AGREEMENTS WITH OTHER DEVELOPING NATIONS, AND BELIEVE THE CCA MAY UNDERMINE EARLIER REVERSE PREFERENCE ARRANGEMENTS MADE BY THE COMMON MARKET. END SUMMARY.

1. THE INDIANS VIEW THE COMMERCIAL COOPERATION AGREEMENT AS A FRAMEWORK FOR WIDENING AND DIVERSIFYING COMMERCIAL CONTACTS WITH EUROPE, WITHOUT MODIFYING INDIA'S INSISTENCE ON ECONOMIC SOVEREIGNTY. INDIAN GOVERNMENT OFFICIALS, WHILE NOT EUPHORIC, BELIEVE THAT THE TERMS ARE MORE FAVORABLE TO INDIA THAN HAD BEEN EXPECTED. THE AGREEMENT GOES BEYOND A REVISION OF THE EXISTING TARIFF STRUCTURE AND RECIPROCAL MOST-FAVORED NATION CLAUSES TO OFFER A MEANS OF EASING QUOTA AND OTHER NON-TARIFF BARRIER PROBLEMS WITHOUT UNDUE DELAY. THE INDIANS SEE THE CCA AS A WAY OF DIVERSIFYING TRADE PATTERNS AND MARKETING STRUCTURES TO TAKE ADVANTAGE OF THE POTENTIAL TRADE COMPLEMENTARY OF THE EC AND INDIA.

2. A KEY POINT WAS THE EC ACCEPTANCE OF PERMANENT MACHINERY IN THE FORM OF A JOINT COMMISSION TO SORT OUT TRADE AND COMMERCIAL PROBLEMS AS THEY OCCUR. THE INDIANS ARE HOPEFUL THAT THE COMMISSION WILL BE INVOLVED NOT ONLY WITH TARIFFS, BUT ALSO IN EXCHANGES OF MARKET INFORMATION AND TRADE PROMOTIONS. DEPUTY SECRETARY NARASIMHAN (COMMERCE MINISTRY) INDICATED THAT EC MAY WISH TO HOLD A MEETING OF THE JOINT COMMISSION BEFORE AUTUMN (SEE REF A) BECAUSE IT HAS A FEW THINGS IT WOULD LIKE TO SETTLE WITH INDIA ALONE, ESPECIALLY A NEW TEXTILE QUOTA AND GATT XXIV (B) COMPENSATION FOR EC ENLARGEMENT. THE EC WOULD PROBABLY WANT TO LIMIT THE AGENDA FOR THE FIRST MEETING TO ITEMS OF INTEREST TO IT.

3. WHILE WELCOMING THE CONCESSIONS BY THE EC ON JUTE AND COIR SECTORAL AGREEMENTS, AND THE EC CONSOLIDATION OF EXISTING TARIFF SUSPENSIONS FOR TEA AND CERTAIN KINDS OF LEATHER GOODS, THE GOI IS NOT HOPEFUL THAT THE EC WILL LIMITED OFFICIAL USE

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SOON AGREE TO NEW MODIFICATIONS OF THE GSP. IT IS FEARED THAT THE PRESENT CLIMATE OF ECONOMIC UNCERTAINTY IN EUROPE MAY WELL CAUSE EC MEMBERS TO ARGUE THAT THE COMMON MARKET SHOULD WAIT FOR THE EFFECTS OF TARIFF REDUCTIONS ALREADY GRANTED BEFORE MAKING NEW CONCESSIONS. THE DAILY NEWSPAPER THE STATESMAN EDITORIALIZED THAT INDIA'S HOPES FOR SIGNIFICANT NEW TARIFF RELAXATIONS BY THE JOINT COMMISSION MAY NOT BE FULFILLED AS LONG AS INDIA IS UNWILLING

TO GRANT TRADE AND INVESTMENT CONCESSIONS IN RETURN.

4. THE GOI SEES THE JOINT COMMISSION AS A POSSIBLE PLATFORM FOR NEGOTIATING TECHNOLOGY TRANSFER FROM EUROPE IN THE FORM OF LICENSING AGREEMENTS. THERE HAS BEEN SOME PRESS SPECULATION ABOUT JOINT VENTURES BETWEEN THE EC AND INDIA IN THIRD COUNTRIES, AND EC PROMOTION OF INDIAN EXPORTS IN THIRD COUNTRY MARKETS, BUT GOI OFFICIALS DO NOT TAKE THIS SPECULATION SERIOUSLY.

5. THE INDIANS ARE PLEASED THAT THE GOI DROPPED THE TWO CLAUSES ON INVESTMENT AND RAW MATERIALS BECAUSE THEY OPENED SPECTERS OF FEARED EXPLOITATION OF INDIA'S ECONOMY BY DEVELOPED COUNTRIES. THE EC WANTED A SPECIFIC PROVISION FOR DEALING WITH RECIPROCAL GUARANTEES FOR INVESTMENT BY CITIZENS AND COMPANIES, WHICH THE INDIANS FELT WOULD OPEN THEIR ECONOMY TO FOREIGN INVESTMENT. THE GOI ALSO OBJECTED TO THE EC PROVISION FOR NON-DISCRIMINATORY ACCESS TO INDIAN NATURAL RESOURCES, WHICH THE GOI FELT COULD PUT EXPLOITATION OF INDIAN MINERAL RESOURCES OUT OF ITS CONTROL.

6. THE LONG-RUN DESIRE OF INDIA IS TO AMELIORATE INDIA'S PRESENT TRADE DEFICIT OF DOLS 190 MILLION WITH THE ENLARGED EC, ESPECIALLY AS THE INDIANS ARE INCREASINGLY DEPENDENT ON THE COMMON MARKET FOR IMPORTS OF SOPHISTICATED MACHINERY, EQUIPMENT AND TECHNOLOGY. K.B. LAL, INDIAN AMBASSADOR TO THE EC, SAID THAT INDIA IS SEEKING A 50 TO 100 PERCENT RISE IN EXPORTS TO THE EC BY THE END OF THE FIFTH PLAN, SO AS TO BRING INDO-EC TRADE IN BALANCE. THE INDIANS ARE HOPEFUL THAT SIMPLER INDIAN MANUFACTURED GOODS SUCH AS AUTOMOBILE PARTS CAN BE COST-COMPETITIVE WITH EUROPEAN PRODUCTS, AND WILL EVENTUALLY DISPLACE MANY TRADITIONAL LIMITED OFFICIAL USE

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EXPORT ITEMS. THE INDIANS DO NOT UNDERESTIMATE THE FORMABLE EXPANSE AND PROBLEMS OF ESTABLISHING MARKETING AND DISTRIBUTION NETWORKS IN EUROPE.

7. THE INDIANS SEE A POLITICAL AS WELL AS AN ECONOMIC ELEMENT TO THE AGREEMENT. COMMERCE MINISTER CHATTOPADHYAYA CALLED IT AN INDICATION OF WESTERN EUROPE'S KEEN INTEREST IN THE LARGE AND LUCRATIVE INDIAN MARKET AND A BASIS FOR DEEPENING AND DIVERSIFYING INDO-EUROPEAN ECONOMIC CONTACTS. AN EDITORIAL IN THE ECONOMIC TIMES CALLED THE AGREEMENT THE FIRST TIME THAT A GROUP OF INDUSTRIALIZED NATIONS HAVE SIGNED A TEXT WHICH CONTAINS SOME OF THE KEY IDEAS THAT DEVELOPING COUNTRIES HAVE BEEN TRYING TO PUT ACROSS IN UNCTAD. NARASIMHAN REMARKED THAT THIS AGREEMENT COULD UNDERMINE THE REVERSE PREFERENCE CLAUSES

THAT THE EC HAS PREVIOUSLY NEGOTIATED WITH OTHER
DEVELOPING NATIONS.
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